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BOATING INDUSTRY

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BI presents an authoritative consensus on the overall business climate that will prevail in '88.

PHOTOS: BOND MARINE Z-65 SPORTFISH CONVERTIBLE, NEWPORT INTERNATIONAL SAILBOAT SHOW PHOTO BY BOUNDAS

Dealers of the Great Plains

Geographic and economic conditions in the Great Plains appear to be against any marine dealer doing well. Yet, some retailers are beating the odds.

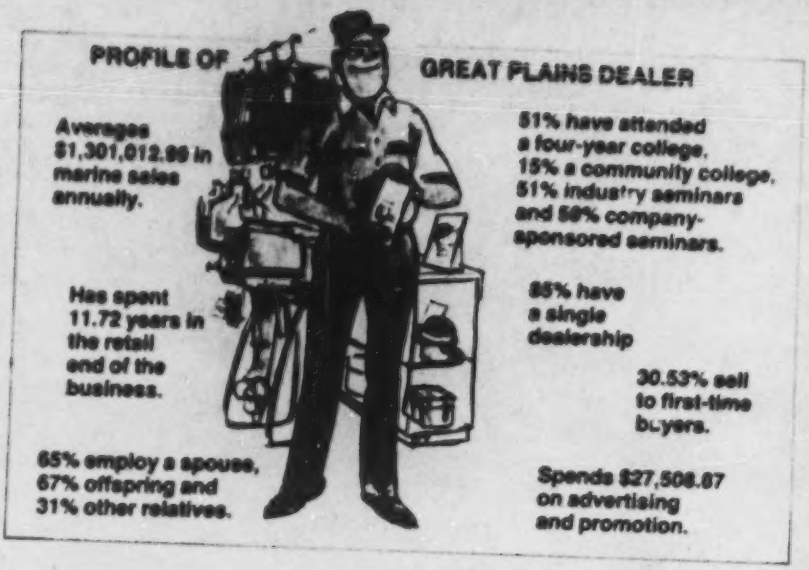
BY KELLI ANNE GAFFNEY

The Great Plains states, Minnesota, Iowa, Missouri, North Dakota, South Dakota, Nebraska, and Kansas are not generally considered a boating mecca. The stereotyped image is one of sprawling farmland and factories. Geographic and economic conditions appear to be against any marine dealer excelling in this area. There are no coastal waters and, except in the state of Minnesota, little inland water. The boating season is extremely short and the primary staple of life is farming, a somewhat risky occupation at best. Yet, despite all these drawbacks, boating is alive in these states and many retailers are there to stay.

Contrary to other areas of the country where big business is ousting family organizations, mom and pop dealerships are still very common in the Plains, with sixty-seven percent of the dealers surveyed employing their spouses, offspring, and relatives. And, while some dealers have been in the marine retail business twenty or more years, most

average around twelve. Most Plains dealers have attended company and industry seminars but only about half of those surveyed have completed four years of college.

The physical lay of the land in the Plains states is the obvious deterrent to a sizable boating market. In most states, lakes and rivers are few and far between. The total amount of inland water in all these seven states is only 9,692 square miles, just under 17% of the total inland water in the continental United States. Minnesota, the exception, has 4,854 square miles of inland water.


PROFILE OF GREAT PLAINS DEALER
Averages $1,301,012.99 in marine sales annually.
Has spent 11.72 years in the retail end of the business.
65% employ a spouse, 67% offspring and 31% other relatives.
51% have attended a four-year college, 15% a community college, 51% industry seminars and 58% company-sponsored seminars.
85% have a single dealership
30.53% sell to first-time buyers.
Spends $27,508.87 on advertising and promotion.

With a very short boating season and little inland water, boating is not a top priority among consumers

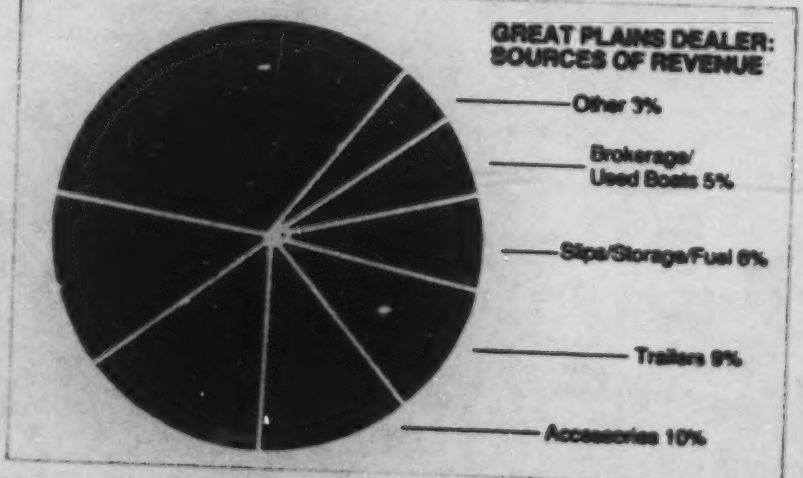
Winters are long and extremely cold in the Plains. The summer season is very short, usually just those ninety days between Memorial Day and Labor Day. For these dealers, weather is a major factor. Terry Kahler, president of Lateke Sportacenter in Iowa, sees a direct correlation between the weather and his sales figures. "We are having a pretty good year," he said, "because it has been warm and sunny. Cold rainy weather doesn't help our business." Dealers, therefore, must aggressively prepare for their summer season to take advantage of the hospitable climate while they can.

Since most boating is done on small lakes, the runabout is the most popular boat model, with almost 80% of the surveyed dealers naming it their top-selling boat. And, almost 20% said they wanted to add a runabout to their present product line. Overnight boats, like cruisers with cabins and sleeping accommodations, were cited by only 24% of the dealers as a top selling product. Although fishing is a popular pastime in the areas that are near or on fresh water, fishing boats ranked second in popularity, receiving only 48% of the vote.

Most boaters in the Plains are looking only for day-to-day recreation. Not surprisingly, recreational equipment, such as waterskis and watersports products, was named the top selling accessory product for the area, receiving almost 70% of the vote. Electronics, usually a top seller in other parts of the country, came in second.

The overall economy for most of the Plains is based heavily on farming, which has seen better days. Ken Ervin, Ervin Auto & Marine in Parsons, KS, explained his situation: "Southeastern Kansas is at the lowest farm and industry level in 35 years. Thirteen banks have closed in the area and the unemployment rate is 8-9%. The farm industry has been in the hole the past five years. There is no cash flow for middle class blue collar workers. They are living check to mouth." While the farmers themselves usually don't buy boats, the lawyers, bankers, and merchants whose livelihoods are closely intertwined with farming can't afford recreational products if their primary customers are in trouble.

Dealers like Doug Dunker in Battle Lake, MN, also have to contend with government restrictions that are intended to help the middle and lower classes, but that actually hinder the small businessman. Dun-



BEST SELLERS
GREAT PLAINS DEALERS

BOATS
Runabouts
Fishing Boats
Pontoons
Bass Boats
Cruisers
Fish 'n Ski Boats

ACCESSORIES
Recreational Equipment
Electronics
Hardware
Safety Equipment
Maintenance Equipment

POWER OPTIONS
Outboards
Inboards/Outboards
Inboards

LIKELY TO ADD
Runabout
Outboard
Miscellaneous Craft

ker cites problems with tax regulations, insurance, workmen's compensation, welfare tax, and unemployment, all of which contribute to the hardships of dealers.

The population in these states is relatively small, totalling only around 17,733,000. And, boats are not a primary consideration for its people. In fact, only one out of every 15 people has a boat, according to the July 1986 issue of *Sales and Marketing Management*.

Each state has its own distinctive boating community and having less water does not necessarily mean less boats. Of the seven states, Iowa has the least water totalling only 309 square miles, yet the state boasts 190,118 registered boats. Minnesota, with the most water of the seven states, 4854 square miles, has 645,452 boaters. All totalled, registered boats in the Plains number about 1,319,504; 14% of the total boats in the United States.

The advantages of owning a dealership in the Plains are few, but there are some. The competition among dealers is relatively low since dealerships tend to be spread farther apart and some dealerships draw customers from one hundred or more miles away, something to be envied in other parts of the country. The disadvantages, however, seem far more overwhelming.

CLOSEUP

Service is the Only Way

Randy Kelly, owner of Kelly's Port Inc., used to be in the saloon business in Kansas City. Then, as he puts it, "I got tired of going to bed at three o'clock in the morning and waking up with a hangover. Now I go to bed at ten o'clock at night and still wake up with a hangover, so I don't know how much I've really improved my plight. It was a family business and I was looking for a challenge."

He was preparing to move to Hawaii, when he asked one of his customers how his marina business was doing. The business was for sale, and since moving to Hawaii was turning into a hassle, Kelly bought the marina. Thirty-five days later, in June 1977, he had taken it over. Since then "it's been neat." Things started slowly. "The first five years we were here we just kind of did okay, but once we got teamed up with Regal and the credibility of Regal, then we went into our expansion. We've added rack storage buildings and we've put in different locations. They're a super good company."

The operation is centered on the Lake of the Ozarks, in the town of Gravois Mills, MO. He now has three locations — one on the water and the other two are sales outlets where he sells Regal boats and Ventura pontoons. "We've set our business up around the slogan 'Buy the best and only cry once.'"

"We have five factory trained mechanics, three full-time fiberglass people, two mechanic trainees. On Lake of the Ozarks, service is very very important. The majority of sales that we make are from word-of-mouth. To keep that word-of-mouth positive is also very very important. Between all three locations we employ about 24 people."

He also does custom painting. He special orders white boats from Regal and then custom paints them for customers.

Kelly is now Regal's third largest dealer. Kelly puts this in perspective by noting that "the largest Regal dealer is on Long Island, the second largest is in New York City, and then we're in Gravois Mills, population 34.

Kelly estimates that repairs are about 10% of his gross and boat sales about 80%. "We go to a lot of shows: six shows in the spring, open houses in the fall, and a small show in the fall."

"Most of our business is centered around a big bow riding boat and a medium sized cuddy cabin boat, a 25 ft cuddy cabin boat. We'll sell 60 of their (Regal's) 25-ft cuddy cabin boats and in their 21-ft bow rider we'll sell 40 or better. The Lake of the Ozarks is a big old lake with a lot of traffic so you need a good riding boat. That's where the Regal boats really sparkle."

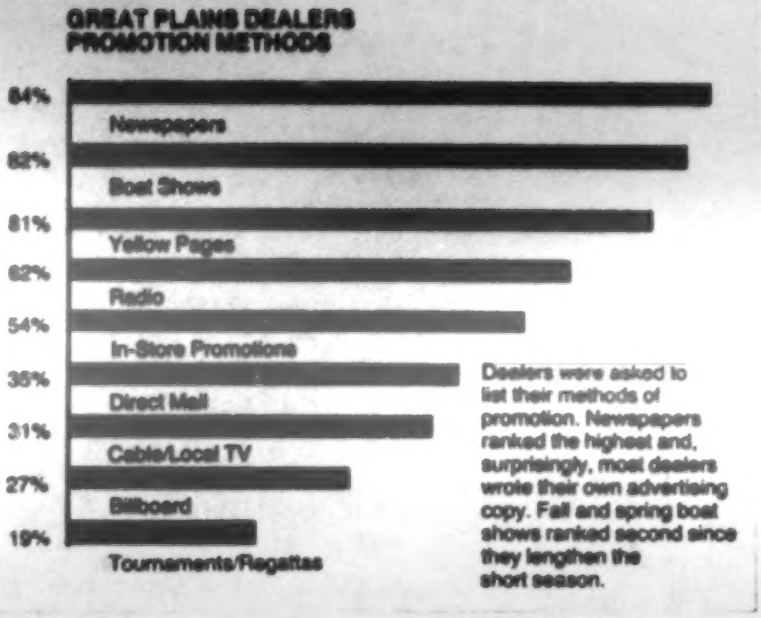
Looking back he says "When I bought this place I thought I'd do it for two or three years but its just gotten to be more fun. The industry has changed so damn much in the last few years it's really gotten slick. There's lots of new stuff coming out, it's just turning into a big business instead of a ma and pa business." □

John R. Burger

The shorter season brings a multitude of problems. Dealers find themselves depending on only three short months to maintain their livelihoods. They must work feverishly to build up profits that will allow them to remain in business.

According to the dealers surveyed, like Steve Magnuson, West-

The economy of the Plains is primarily based on agriculture, a somewhat risky business at best.



gate Marine in Grand Fork, ND, dealers begin promoting early in February with boat shows to get a jump on the short selling season. Magnuson also offers a special payment plan so consumers can buy early and pay later. Yet another dealer holds shows in spring and fall to lengthen the boating season.

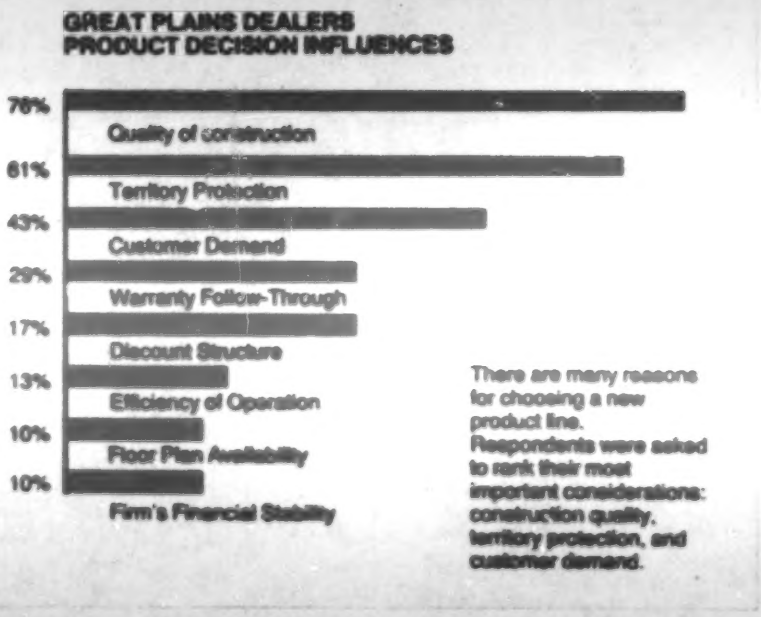
Since dealers must approach their market aggressively, advertising is an important tool. Plains retailers try to draw consumers from areas considerably farther away than their counterparts in more urban states. The average spent on advertising is about $28,000 per dealer. Surprisingly, most dealers write the copy for their ads in-house. Many use interview and testimonial ads. Newspapers, boats shows, and the Yellow Pages were ranked as the three most popular advertising mediums. In addition, in-store promotions and radio were also important in reaching the public.

Since many of the dealerships are closed during the coldest months of the year, a major problem cited by most dealers was finding and keeping well-trained employees. " We've found most qualified mechanics go south because wages are higher and work is year-round," said Magnuson. Plains dealers are forced to make an extra effort to keep their best employees.

Joann Austin, general manager of Smithville Marine in Smithville, MO, tries to guarantee her employees a base salary year-round on which they can afford to live. Another dealer claims to pay his employees more than anyone else.

Jim Jensen, owner of Okoboji Boats in Okoboji, IA, and a Century dealer for 45 years, considers himself lucky. "We keep our employees on eight to nine months a year," he said. "And most of our mechanics have been with us seven, or eight years. They've been to other places and have decided to settle here."

Not all marine dealers close up shop for the winter. Some cultivate other businesses. One marine dealer



in Kansas keeps an auto and electric motor repair shop in addition to his marine and camping business. He explained, "We could not survive here as just a marine business."

Some retailers expound the advantages of being a dealer in the Plains. Ken Lambton, Sportboats USA, Niza, MO, said, "I think we have advantages over other dealers. There is no salt water; it's all fresh water here. This is heavy bass boat country so we handle a lot of smaller

Plains dealers must approach the market aggressively to entice customers from farther away than urban dealers.

units, like 15 to 20 ft boats." Lambton, who sells mostly high-performance bass boats, went on to explain that since the economy in his area is not heavily dependent on farming, the economy is stable. Unemployment is down and financing is relatively easy. "In fact," he said, "the economy is the best I've seen during my ten years in the business." Lambton explained that much of his business is derived from factory recommendations. "Consumers call the boat companies and the builders suggest they call us," he said.

While qualified boat buyers range from young couples and families to older retired and repeat buyers, only 31% of those who buy boats are first time buyers. According to Great Plains dealers, the way to attract and keep customers is not through price but through reliable service and quality. Not surprisingly, more than 75% of the dealers who responded to the survey also named quality of construction as their most important consideration when choosing a new line. Boaters who have such a short season need their boats serviced immediately. As Jensen in Okoboji explained, "Service is very important since we have a lot of return customers." Jensen's dealership is located in a resort area. Most of his customers have sum-

(continued on page 234)

CLOSEUP

Service is the Only Way

Doug Dunker's time is divided unevenly between operating Dunker's Marine in Battle Lake, MN, from April to November, and the rest of the year when he's keeping back the jungle in Hawaii by tramping around golf courses. Battle Lake is in Ottertail County, an answer to the trivia question, "What county in the United States (including Alaska) has the most lakes and how many does it have?" Ottertail County, with 1,100 registered lakes, is the correct answer.

These lakes attract a lot of attention from local and outside fishermen and waterskiiers. Dunker says "the majority of our customers are looking for something that is a double-threat boat. They don't wish to make a large investment for a waterski boat, if they have kids, and then in turn buy a fishing boat. They want something they can use for both. This is where our electric bow-mounted trolling motors come in great. Our popular fishing boat here is Alumacraft. We rig those out with from 40 horse to 70 horse to 90 horses and then maybe put a bow-mounted trolling motor on them. They can use the 70s and 90s for water skiing and also for fishing."

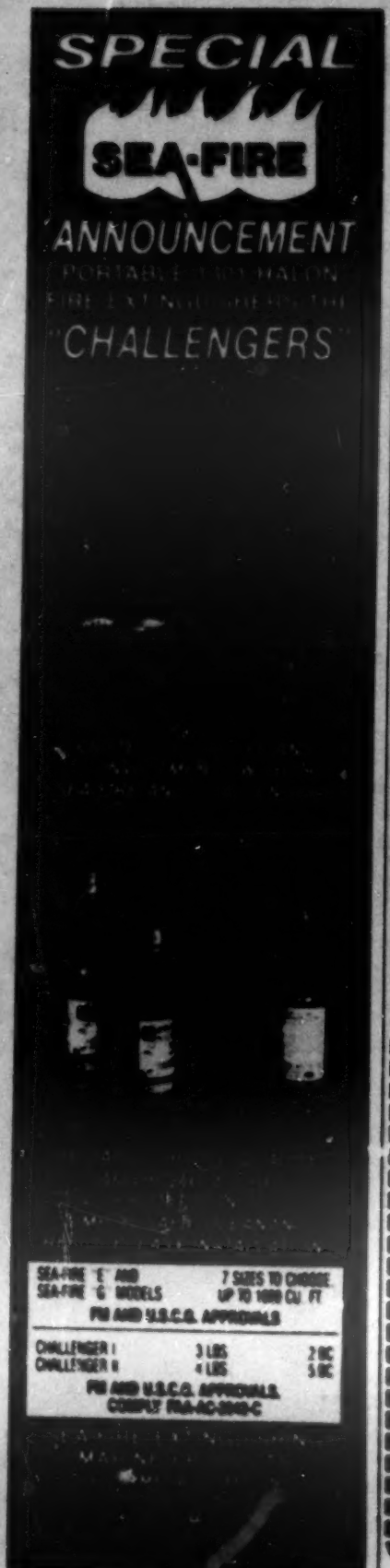
One of the reasons vacationers return to the lakes of Ottertail County from Kansas, Iowa, Oklahoma, Indiana, Illinois and Nebraska is that they've heard about them on Dunker's five-times-a-week radio shows, and perhaps heard their own record catches mentioned. Dunker phones these five to eight minute spots into two radio stations which record them for broadcasting later in the day. "It keeps our name in front of the public too," Dunker points out, "which doesn't hurt business any."

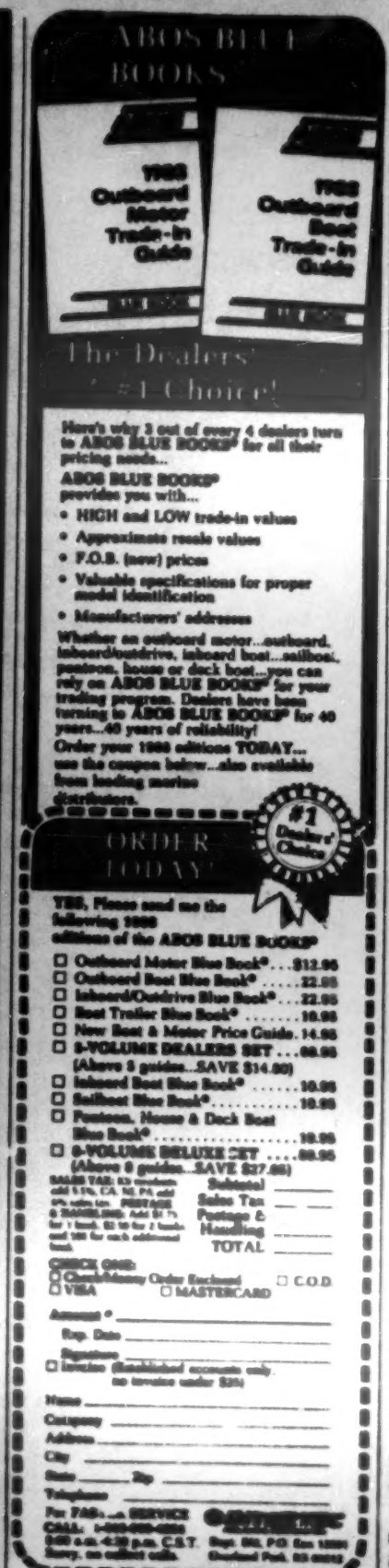
But service is what keeps them coming back to Dunker's Marine. Repairs are about 35-40% of Dunker's gross. These repairs are done by a permanent staff, meaning, when Dunker Marine closes for the winter and the boss is off jungle stomping, his people are still being paid through the rest of the year. The fact that the youngest man on his staff has been with him since 1972 shows that this and other policies make for a loyal staff. And the loyalty goes both ways. Dunker says "If I didn't have these sharp people in my shops to maintain what we sell I wouldn't be here. In fact, if I lost them, the first thing I'd do is throw a chain around the gate and call the auctioneer."

Dunker retired from the Air Force in 1968 and took over his father's marine dealership and franchises and within 48 days of his retirement had new buildings built, had stock, and has been busy ever since. He feels that his military training has helped him foster a cooperative attitude among his staff and has given him a respect for proper training. "They go to school every year: Evinrude service school, Mercruiser inboard/outboard schools, service seminars. We keep the service shop up-to-date with the current tools, test equipment, and technical data."

The final service lesson is, "I've bought out eight marine dealers since I've been in business and all of them, with the exception of one, went down the tube because they didn't have adequate people to service what they sold. In this particular area where we've got a whole flock of conservative Norwegians and hard-headed Dutchmen, you better be able to repair something when it gets broke or you won't be able to stay in business." □

John R. Burger

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GREAT PLAINS

continued from page 77

mered there for years. Competition is fierce because five dealers have set up within a five mile radius.

It's not surprising then that the marine service business is experiencing an upswing because those who can't afford new boats are looking to buy used models. "Blue collar workers are buying twenty year-old boats," explained one Kansas dealer. "The repair business is going well but that also causes problems since some parts are obsolete."

Great Plains dealers have reported an excellent year so far. Some have even called 1987 their best year ever. One dealer went so far as to say he is breaking his own sales records every day. Increases in sales are attributed to improved economic conditions such as lower interest rates and better agricultural conditions, as well as upgraded management principles. More experience in the marine business, a better sales force, and aggressive promotional efforts are just three reasons given for improved sales. One dealer suggested that the buying public is accepting the economic restraints of today and is learning to work with it.

Almost in defiance of the many problems they face, 82% of the dealers surveyed are looking forward to a bright future, expecting their markets to prosper during the next few years. Some expect increases of 20 to 30% in the next few years. Only eleven percent are pessimistic, most of whom are already experiencing declines in sales.

The dealers in the Plains will continue to face hardships caused by unchanging geographic conditions and by fluctuating economic conditions. So much depends on agriculture, but with the recent national coverage of the farmers' plight, those involved are optimistic. Local industry, the other determining factor, is also going through difficult times, with sizable companies like John Deere and International Harvester closing their factory doors. In some areas, railroad mergers are resulting in small business failures.

The determination to make their businesses work has created a unique breed of innovative dealers in the Plains. And, if any group can succeed against all odds, these marine dealers can. ☐